

## Message Text

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43

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 TRSE-00 XMB-07

OPIC-12 CIEP-03 LAB-06 SIL-01 OMB-01 IGA-02 DRC-01

/157 W

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P R 141057Z AUG 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 0395

INFO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: ECON, LA

SUBJECT: WEEKLY ECONOMIC SITUATION REPORT (AUGUST 7-13, 1974)

1. FOLLOWING IMPLEMENTATION OF FOREIGN EXCHANGE CONTROLS AND INITIATION OF FOREIGN EXCHANGE TRANSACTIONS AT COMMERCIAL BANKS, APPROVAL PROCESS HAS BEEN SLOW AND ONLY \$403,000 SOLD DURING FIRST SIX DAYS BANKS HAVE CONDUCTED FX TRANSACTIONS. (DURING THE FIRST SIX MONTHS OF 1974, THE AVERAGE WEEKLY FX SALES WERE \$920,000.) THE ITEMS GRANTED FOREIGN EXCHANGE WERE (\$000): RICE 115; MEAT 115; MILK 35; FERTILIZER AND INSECTICIDE 38; TRAVEL, EDUCATION 33; ROYAL AIR LAO 49; OFFICIAL GOVERNMENT DEBT PAYMENT 17; OTHER 1; TOTAL 403. IT IS EVIDENT FROM ABOVE THAT FOREIGN EXCHANGE FOR REORDERING MANY OF THE IMPORTS COMMONLY FOUND IN VIENTIANE IS NOT BEING MADE AVAILABLE THROUGH COMMERCIAL BANKS. HOWEVER, AS THE RETAIL PRICE CONTROL POLICY BECOMES MORE CLEARLY ESTABLISHED ORDERS FOR IMPORTED ITEMS NOT ELIGIBLE FOR FX FROM FEOF WILL PROBABLY ONCE AGAIN APPEAR, FUNDED WITH LIMITED SUPPLY OF DOLLARS FROM PARALLEL MARKET. IN A SPEECH TO THE LOCAL ROTARY CLUB THE DIR OF COMMERCE, IN ANSER TO A QUESTION, STATED

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THE GOVERNMENT WOULD NOT PLACE PRICE CONTROLS ON IMPORTS FINANCED

OUTSIDE FEOF. THUS, COMMODITIES MAY BE IMPORTED AND PRICED AT LEVELS BASED ON PARALLEL MARKET RATE.

2. CONSIDERABLE CONCERN EXISTS IN BUSINESS COMMUNITY ABOUT EXTENT TO WHICH PGNU WILL ENFORCE ECONOMIC CONTROLS. UNCONFIRMED STORIES CIRCULATE IN BUSINESS COMMUNITY ABOUT ARRESTS AND FINES BY ECONOMIC POLICE CONCERNING PRICE CONTROLS. ALSO, THOUGH USAID DIR HAS CONFIRMED FROM MINFIN, DIRGEN MINFIN, AND GOVERNOR OF BNL THAT SALES OF DOLLARS IN BUSINESS COMMUNITY ABOVE LEVEL OF 840 ENTIRELY LEGAL, ECONOMIC POLICE HAVE BEEN HARASSING INDIVIDUALS (NOT EUROPEANS OR AMERICANS) IN MARKET FOR REPORTEDLY CHANGING DOLLARS AND CONDUCTING TRANSACTIONS AT LEVELS ABOVE 840 RATE.

3. BEGINNING WEEK STARTING AUG 12, DOLLARS AGAIN AVAILABLE ON THE CURB MARKET, THOUGH STILL IN LIMITED QUANTITY, AT RATES SLIGHTLY BELOW QUOTES OF LAST WEEK. THIS DECLINE IN RATE AND AVAILABILITY OF DOLLARS PROBABLY THE RESULT OF FEOF BEGINNING TO PROVIDE FX, AS WELL AS SALES OF DOLLARS BY INDIVIDUALS WHO WERE HOARDING DOLLARS, AND WHO NOW RECOGNIZE THAT WITH AT LEAST TEMPORARY STABILIZATION OF PARALLEL MARKET EXCHANGE RATE THEY NOT ABLE TO INCREASE PROFITS SIMPLY BY HOLDING DOLLARS FOR FEW WEEKS MORE. AS OF AUG 13 MONEY CHANGERS AND OTHER UNOFFICIAL DEALERS BUYING DOLLARS FOR 1,050 KIP AND SELLING 1,100 AND BUYING 100 BAHT FOR 5,300 KIP AND SELLING 5,350 TO 5,400.

4. STORY IN BANGKOK NEWSPAPER AND LOCAL UNCONFIRMED REPORTS FROM VARIOUS SOURCES INDICATESOME MOVEMENT TO THAILAND AND FRANCE BY NON-LAO RESIDENTS DUE TO CURRENT AND POSSIBLE FUTURE ECONOMIC DIFFICULTIES. SPECIFIC CASES INDICATE A FEW ARTISANS (TAILORS AND CABINET MAKERS) CURRENTLY IN FRANCE STUDYING RELOCATION POSSIBILITY AND CHINESE BUSINESSMEN OBTAINING THAI TRAVEL PAPERS APPARENTLY IN ORDER TO BETTER CONDUCT BUSINESS WITH THAI BANKS AND THAI EXPORTERS. THE DIFFICULTIES OF SOME BUSINESSES CATERING TO USG FUNDED PERSONNEL (E.G., TAILORS) WAS PROBABLY ONLY HASTENED BY THE FOREIGN EXCHANGE PROBLEM. THERE ARE ALSO UNCONFIRMED REPORTS ABOUT LARGE NUMBER CHINESE BUSINESSMEN AND MERCHANTS WITHDRAWING THEIR APPLICATIONS FOR LAO CITIZENSHIP DUE TO CONCERNS THAT AS LAO CITIZENS THEIR MOVEMENTS OUTSIDE OF LAOS SUBJECT TO RESTRICTION BY LAO AUTHORITIES.

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5. AS OF AUG 12 THERE WERE NO SIGNIFICANT SHORTAGES IN THE MARKET PLACE EXCEPT FOR CEMENT, AND PRICES GENERALLY REMAINED STABLE. ACTIVITY REMAINED NORMAL WITH BUSINESSES PROSPERING ACCORDING TO THE DEGREE THEY DEAL IN NECESSITIES RATHER THAN SEMI-ESSENTIALS OR LUXURY ITEMS. THAI WHITE RICE HAD CLIMBED 11 PERCENT. (HOWEVER, THE RECENT DECLINE IN THAI WHOLESALE RICE PRICE MAY SOON BE REFLECTED IN THE LAO MARKET.) INCREASED PRICES OF LARD AND SUGAR WERE OFF-SET BY DECREASES IN VEGETABLES.

USAID COST-OF-LIVING INDEX AUG 12 REFLECTED FOLLOWING CHANGES.

	PERCENT CHANGE SINCE		
	AUG 5	JUL 17	END 73
GENERAL INDEX	0.2	12.3	50.2
RICE INDEX	0.9	33.4	84.8
NON-RICE INDEX	(-0.1)	6.7	41.3

6. MILLED RICE SALES BY AGRICULTURAL DEVELOPMENT ORGANIZATION (ADO) AND NATIONAL RICE OFFICE CONTINUE TO INCREASE IN VOLUME. HOWEVER, SALES HAVE NOT YET FORCED DOWN THE PRICES IN THE REGULAR COMMERCIAL CHANNELS. ADO DAILY SALES FOR THE FIRST 12 DAYS, WHICH AVERAGED ABOUT 14 MT'S, ARE NOW UP TO 33 MT'S OR APPROXIMATELY 40 PERCENT OF VIENTIANE'S DAILY COMMERCIAL REQUIREMENT. MANY CONSUMERS CHOOSE TO PAY UP TO 32 KIP PER KILO MORE FOR THE CONVENIENCE OF THE MORNING MARKET, RATHER THAN TRAVELING TO ADO SALES POINTS AND WAITING IN LINE. ADO NOW SEEKING MARKET LOCATIONS TO ELIMINATE THIS PROBLEM.

7. DECONTROL FOLLOWING 8/14/75.  
WHITEHOUSE

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## Message Attributes

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